

Danske Daily

Market Movers

- In the UK, it is time for the BoE's January meeting. As expected, the BoE took a dovish stance at the December meeting due to a combination of a poor risk environment and the lower oil price, which has lowered the inflation outlook. Not much has changed. The oil price is still dropping, risk appetite is still poor and activity data have been weak. The pressure from the strong GBP, however, has eased as it has weakened significantly. Overall, we expect the Bank Rate, the stock of purchased assets and the vote count to be exactly the same as in December. We expect the first BoE hike in Q2 16 (probably in May) but the recent developments, both economically and in the financial markets, mean that the BoE is not in a hurry to follow the Fed's lift-off despite strong developments in the labour market, in our view.
- In Germany, real GDP growth in 2015 is due for release, which will implicitly give us an idea of how the German economy performed in Q4 15.
- We expect the Polish central bank to leave the policy rate unchanged at 1.50% at today's meeting.
- Fed's Bullard (voter, hawkish) is speaking today.
- December CPI- and CPIF data are released in **Sweden**. Our forecast (see calendar) is 0.1 ppt below the market average and 0.2 ppt below the Riksbank's projection. For more details see *Scandi Markets*.

Selected Market News

Focus is still on anxiety in the markets as they do not seem to have calmed down yet despite strong trade figures from China yesterday. While most of the European stock markets were up yesterday, the initial gain in the beginning of the trading session was almost entirely gone by closing time. The US stock markets closed in red. At the time of writing, stock markets across Asia are down. The somewhat soft US Beige Book did not help to reduce market concerns as it suggested that the US economy was slowing down by the end of 2015 despite the strong job reports.

The oil price took another hit yesterday and **Brent briefly went below USD30 per barrel, the lowest since April 2004.** The oil price appears to be driven by a combination of high supply and growing concerns over the global economy.

It is noteworthy that US 5y5y breakeven inflation has been trending downwards the past 10 days and is currently at 1.705, the lowest since the crisis. Lower inflation expectations have become an increasing concern for some FOMC members and this could likely affect the rate path this year.

There have been multiple explosions in central Jakarta, Indonesia. So far six people are reported killed but this number will probably rise. Rumours are that there are 14 attackers.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	1890.3	↓	-2.50
S&P500 fut (chng from close)	1891.7	↑	0.55
Nikkei	17227.0	↓	-2.76
Hang Seng	19742.9	↓	-0.96
	17:00	07:30	+/- bp
US 2y gov	0.92	0.90	↓ -2.0
US 10y gov	2.11	2.08	↓ -3.0
iTraxx Europe (IG)	86	87	↑ 0.1
iTraxx Xover (Non IG)	351	353	↑ 2.0
			+/- %
EUR/USD	1.086	1.087	↑ 0.12
USD/JPY	118.160	117.720	↓ -0.37
EUR/CHF	1.09	1.10	↑ 0.12
EUR/GBP	0.751	0.755	↑ 0.47
EUR/SEK	9.251	9.276	↑ 0.27
EUR/NOK	9.55	9.60	↑ 0.53
			USD
Oil Brent, USD	30.6	30.2	↓ -1.44
Gold, USD	1089.8	1091.3	↑ 0.14

Note:

* The iTraxx Europe Index shows the spread development for the most liquid investment grade CDS contracts in the euro credit market.

**The iTraxx Europe Crossover show the spread development of the most liquid non-investment grade CDS contracts in the euro credit market.

***The Markit CDX North America Investment Grade Index shows the spread development for the most liquid investment grade CDS contracts in the US credit market.

Source: Bloomberg

Selected readings from Danske Bank

- China: Strong trade data should ease fears of a hard landing*

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Scandi Markets

December CPI- and CPIF data are released in Sweden. Our forecast (see calendar) is 0.1 ppt below the market average and 0.2 ppt below the Riksbank's projection. Considering that several Riksbank board members have expressed concern about the lower than expected November inflation figures and also warned that they are on high alert to intervene in order to stop the SEK from strengthening too much, we would guess that another round of low data would make the Riksbank very nervous indeed.

Fixed Income Markets

The supply wave continues today with Portugal set to launch a new 10Y (Jul-26) through syndication. Portugal has had rough start to the year with the 10Y widening around 20bp to Italy. The news flow has not been great with the new socialist government rolling back some austerity measures (holidays re-introduced). Portugal has been the first peripheral in the market the past two years, so the launch is not really a surprise although the market cheapened 5bp versus Germany on the announcement. The IGCP will most likely offer a decent new issue premium to attract demand as was also the case in both Belgium and Spain this week. We expect an issue size of 3-4bn, somewhat lower than the combined 5.5bn January issue in the 10Y and 30Y in January last year. The Portuguese curve remains very steep and with a 5y5y forward rate of around 4.3% it should attract interest despite elevated uncertainty.

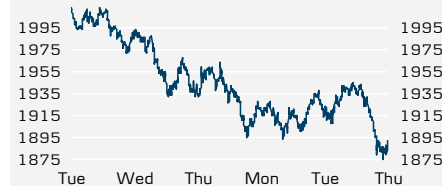
Spain is tapping EUR4-5bn today in the Apr-18, the Jul-20 and the Jan-23. This could be the last tap in the Apr-18, as it has reached benchmark size and is becoming a short 3Y bond. We see value in buying the Apr-18 versus swaps or buy the Jul-20 versus the Apr-19. **We are now primary dealers in Spain** and happy to take orders, see also *Spanish Auction on Thursday*, 13 January.

In Scandinavia, focus is on the Swedish December inflation figures where we expect the CPIF to print 0.9 % y/y, which is 0.2 percentage points below the Riksbank's forecast. This is not in itself enough to trigger Riksbank action but we expect this margin to widen again in coming months. Recently, the Riksbank announced that it is officially prepared to perform FX interventions as a means to bolster the rise in inflation. We do not envisage the Riksbank making 'standalone' FX interventions. Rather, such interventions will have a much better chance of being successful if they are supported by a repo rate cut, a lower/flatter repo rate forecast and an extended QE programme. We stick to the view that the Riksbank will have to cut the repo rate again in April, see *Scandi Markets Ahead: Inflation data in focus*, 11 January.

FX Markets

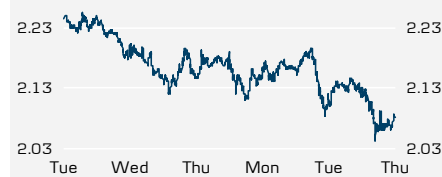
Delayed due to technical problems.

US S&P500 future



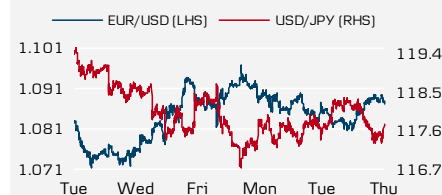
Source: Danske Bank Markets

US 10y gov yield



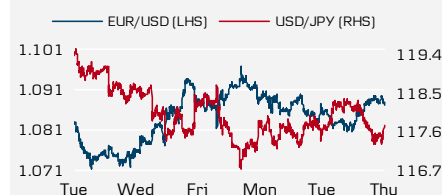
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

Thursday, January 14, 2016					Period	Danske Bank	Consensus	Previous
-	PLN	Polish central bank rate decision	%			1.5%	1.5%	1.5%
9:30	SEK	Average house prices	SEK m	Dec				2.489
9:30	SEK	Underlying inflation CPIF	m/m/y/y	Dec		0.2% 0.9%	0.3% 1.0%	-0.1% 1.0%
9:30	SEK	CPI	m/m/y/y	Dec		0.1% 0.0%	-0.2% 0.1%	-0.2% 0.1%
10:00	DEM	Budget real GDP (Maastricht)	%	2015			0.5%	0.6%
10:00	DEM	GDP	%	2015			1.7%	1.6%
10:00	ITL	Industrial production	m/m/y/y	Nov			0.3% ...	0.5% 2.9%
13:00	GBP	BoE announces asset purchase target	GBP bn	Jan		375	375	375
13:00	GBP	BoE rate announcement	%			0.5%	0.5%	0.5%
13:00	GBP	BoE minutes						
13:30	EUR	ECB account of the monetary policy meeting						
14:30	USD	Initial jobless claims	1000					277
14:30	USD	Import prices	m/m/y/y	Dec			-1.5% -8.6%	-0.4% -9.4%
14:30	USD	Fed's Bullard (voter, hawkish) speaks						
15:00	EUR	Eurogroup meeting in Brussels						

Source: Bloomberg, Danske Bank Markets

Today's market data: 14 January 2016

STOCKS



	Close		+/-
DJUSTOXX50	2916	↑	0.5%
OMXC20	966	↓	-0.3%
OMXS30	1361	↑	0.7%
OSE BX	557	↑	0.4%
Close +/-			
DOW JONES	16'51	↓	-2.2%
NASDAQ	4526	↓	-3.4%
S&P500	1890	↓	-2.5%
NIKKEI (07:30)	17227	↑	0.5%

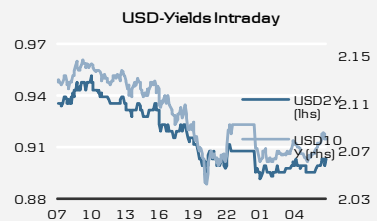
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	108.60	108.73	↑ 0.13
JPY	128.32	128.00	↓ -0.32
GBP	75.13	75.49	↑ 0.35
NOK	955.38	960.40	↑ 5.02
SEK	925.09	927.56	↑ 2.47
DKK	746.26	746.29	↑ 0.03
PLN	434.89	435.57	↑ 0.68
USD			
JPY	118.16	117.72	↓ -0.44
GBP	144.54	144.05	↓ -0.49
CHF	100.76	100.76	↑ 0.00

	Close		+/-
07:30	1091.32		30.19
1 day	↓	-2.33	↓ -0.12
1 month	↑	31.47	↓ -7.73
Year-t-date	↑	29.90	↓ -7.09
Oil, Brent, \$			
07:30	162.39		407.54
1 day	↑	0.32	↓ -1.62
1 month	↓	-11.87	↑ 5.87
Year-t-date	↓	-13.75	↑ 2.83

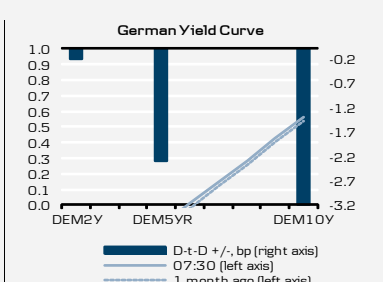
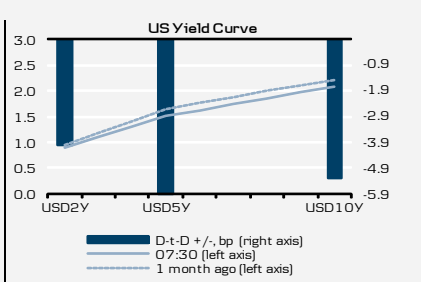
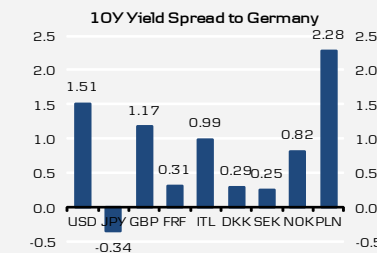
YIELDS & INTEREST RATES



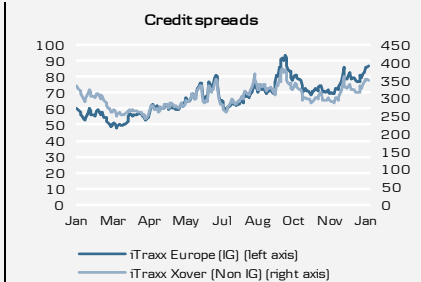
	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.05	-0.14	-19
GBP	0.50	0.59	9
DKK	0.05	-0.06	-11
SEK	-0.35	-0.30	6
NOK	0.75	1.16	41
PLN	1.50	1.61	11

	17:00	07:30	+/-, bp
USD 10Y	2.11	2.08	↓ -3
USD 30Y	2.89	2.87	↓ -2
JPY 10Y	0.20	0.23	↑ 3
07:30(-1)* 17:00 +/-, bp			
DEM 10Y	0.60	0.58	↓ -2
DKK 10Y	0.89	0.87	↓ -3
SEK 10Y	0.86	0.82	↓ -5
NOK 10Y	1.38	1.38	↑ 0
PLN 10Y	2.87	2.84	↓ -3

* As of closing previous trading day



Credit spread, iTraxx s. 11*	07:30	1 day	1 month
Europe (IG)	87	↓ 0	↑ 2
HiVol	124	↑ 4	↑ 20
Xover (N-IG)	353	↑ 1	↓ -3
Finan. Sr.			
Finan. Sub.	82	↑ 0	↑ 0
Non-finan.	174	↑ 0	↑ 5



Swap Spread, bp**	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-14	-14	↑ 0
07:30(-1)* 17:00 +/-			
EUR 10Y	0	19	↑ 19
DKK 10Y	34	35	↑ 1
SEK 10Y	36	36	↑ 0
NOK 10Y	63	63	↓ 0

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

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